

CRYPTOCURRENCY NOTICE

The last two years have seen explosive growth in U.S. consumer interest in crypto-currency transactions, purchases, and use. Sadly, very few consumers understand the income tax and foreign reporting obligations that accompany crypto-currency activities, and the incorrect and misleading information floating around on the internet is frightening.

Congress and the IRS have both become aggressively involved in monitoring the activities and the failure to correctly report crypto, and on November 15th the President signed even stronger legislation to track the activities. As an example, the penalty for failure to report crypto activities can be 50% of the highest balance in the account *each year*!!!

We must strongly remind you that crypto activity must be reported to us so that we may appropriately report it on your tax return. Additionally, because of the compliance rules, the reporting is extraordinarily complex, and we need you to consider using a tax basis tracking software to even start trying to prepare your return. Call or email us for a recommendation. To get your attention, the online tax trackers charge several hundred dollars to prepare a report with cryptocurrency activities, so be forewarned that this activity on your part will be greeted with an increased fee on our part. Our industry is seeing tax returns requiring as many as 20,000 separate entries on the return, and several hundred entries is not unusual at all for individuals trading crypto or using it to purchase products and services. The most basic rule to investing is to understand the investment and its related reporting requirements. We are afraid that few Americans understand either when it comes to cryptocurrency.

Here are the 7 activities that require individual transaction reporting **in addition to just reporting the existence of the account. You read that correctly-each individual transaction must be individually reported. For example, if you use a crypto currency to buy a cup of coffee we must report that transaction individually on your return!**

1. **Selling (Converting) crypto to U.S. Dollars**
2. **Trading 1 crypto for another**
3. **Spending crypto directly for goods or services**
4. **Mining crypto from your own computers**
5. **Staking or lending crypto and receiving payment in crypto or dollars**
6. **Receiving Airdrop crypto**
7. **Getting paid in crypto**

Items 1, 2, and 3 require that we report every transaction separately on your return!!!! Potentially hundreds or thousands of transactions must be reported if you are spending cryptocurrency, trading (even via a "Bot"), mining, etc.

In summary, this year we will remind you in our organizers, interviews, and engagement letters that these transactions must be disclosed and reported in order to avoid penalties.